

**THE OFFICE OF REGULATORY STAFF**

**SURREBUTTAL TESTIMONY**

**OF**

**HENRY N. WEBSTER, II**

**DECEMBER 21, 2010**



**DOCKET NO. 2010-132-W**

**Application of May River Water Company,  
Inc. for Adjustment of Rates and Charges for  
the Provision of Water Service**

**SURREBUTTAL TESTIMONY OF HENRY N. WEBSTER, II**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO: 2010-132-W**

**IN RE: APPLICATION OF MAY RIVER WATER COMPANY, INC. FOR  
ADJUSTMENT OF RATES AND CHARGES FOR THE PROVISION OF WATER  
SERVICE**

**Q. ARE YOU THE SAME HENRY WEBSTER THAT HAS PREFILED  
DIRECT TESTIMONY IN THIS CASE?**

**A. Yes, I am.**

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN  
THIS PROCEEDING?**

**A. The purpose of my surrebuttal testimony is to respond to certain portions  
of the pre-filed rebuttal testimony put forth by May River Water Company  
witness Jacquelyn Watson.**

**Q. HAVE YOU REVIEWED THE PRE-FILED DIRECT AND REBUTTAL  
TESTIMONY PRESENTED BY WITNESS WATSON?**

**A. Yes. I have.**

**Q. WHAT PORTION OF WITNESS WATSON'S REBUTTAL TESTIMONY  
IS THE SUBJECT OF YOUR RESPONSES?**

**A. Witness Watson, in her rebuttal testimony (Page 2, Line 6) asserts that  
ORS experienced difficulty in performing its 2007 audit due to significant**

1 differences between water utility regulation in Georgia and South Carolina. Careful  
2 review of ORS witness Christina L. Seale's testimony in that docket (2007-319-W)  
3 does not indicate difficulties in performing the audit. Rather, that testimony  
4 indicates that separate accounting records had not been maintained for May River  
5 and that a system of accounting controls should be established. ORS recommended  
6 that May River's books and records be maintained in accordance with the NARUC  
7 Uniform System of Accounts for Water Utilities.

8 **Q. DO YOU HAVE ADDITIONAL RESPONSES TO WITNESS WATSON'S**  
9 **REBUTTAL TESTIMONY?**

10 **A.** Yes. Witness Watson further asserts (Page 2 Line 8) that ORS  
11 recommended, in the 2007 case, that May River remit a monthly management fee  
12 to Water Utility Management, LLC ("WUM"), for services provided to May  
13 River. Despite review of the 2007 testimony of witnesses Seale and Ford, ORS  
14 can find no record of having made such a recommendation. ORS did recommend  
15 that South Atlantic Utilities, Inc. ("SAU") establish, maintain and document any  
16 contractual agreements it had with its affiliate entities, and that it maintain  
17 supporting documentation such as receipts, invoices, leases, etc. supporting  
18 recorded transactions.

19 **Q. DO YOU HAVE ANY RESPONSES SPECIFIC TO WITNESS WATSON'S**  
20 **COMMENTS REGARDING ORS'S REVIEW OF WUM'S OPERATING**  
21 **COSTS?**

22 **A.** Yes, I do. Witness Watson indicates (Page 2, Line 9) that ORS reviewed  
23 WUM's allocated costs incurred to provide services to May River versus the

1 management fee itself per the agreement. ORS's approach and intent was to  
2 determine, as accurately as possible using the data provided by Applicant, the  
3 actual historical costs incurred by WUM in providing the services to May River  
4 under the agreement. The details of ORS's work to make this determination are  
5 spelled out on Pages 4 and 5 of my direct testimony supporting Adjustment 4.  
6 Only by ascertaining the actual costs of providing service can an appropriate and  
7 reasonable amount of expense be determined for inclusion in rates, rather than the  
8 \$27,000 management fee included in the Company's application.

9 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

10 **A.** Yes, it does.